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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34 95151; File No. SR-CBOE-2022-028]**

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Temporary Remote Inspection Relief for Trading Permit Holder's Office Inspections for Calendar Years 2020 and 2021 to Include Calendar Year 2022 through December 31, 2022**

June 24, 2022

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 9, 2022, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to extend the temporary remote inspection relief for Trading Permit Holder's [sic] office inspections for calendar years 2020 and 2021 to include calendar year 2022 through December 31, 2022. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 9.2, Supervision of Accounts, to extend the temporary remote inspection relief for Trading Permit Holders ("TPHs") to complete their branch office inspections for the calendar years 2020 and 2021 to include calendar year 2022 through December 31, 2022.

The COVID-19 pandemic has caused a host of operational disruptions to the securities industry and impacted Trading Permit Holders ("TPHs"), regulators, investors and

other stakeholders. In response to the pandemic, the Exchange began providing temporary relief to TPHs from specified Exchange Rules and requirements, including Rule 9.2(d) (Annual Branch Inspections). In November 2020, the Exchange adopted a provision in Rule 8.16(f) (Office Inspections), which has expired by its terms, that extended the time by which TPHs must complete their calendar year 2020 inspection obligations under Rule 8.16(f) to March 31, 2021, without an on-site visit to the office or location.<sup>5</sup> The Exchange also adopted Rule 9.2(d)(5) to provide firms the option of satisfying their inspection obligations under Rule [sic] 8.16(f) and 9.2(d) remotely for calendar years 2020 and 2021, subject to specified conditions,<sup>6</sup> due to the logistical challenges of going on-site while public health and safety concerns related to COVID-19 persisted. In December 2021, due to the ongoing impact of COVID 19, the Exchange extended the temporary remote inspection relief in Rule 9.2(d)(5) for TPH's office inspections for calendar years 2020 and 2021 to include calendar year 2022 through June 30, 2022. The Exchange notes that these temporary rules, currently and as proposed herein, are substantively identical to the temporary inspection extension and remote relief rules filed by the Financial Industry Regulatory Authority ("FINRA").<sup>7</sup>

While there are signs of improvement, much uncertainty remains. The emergence of the COVID 19 variants,<sup>8</sup> dissimilar vaccination rates throughout the United States, and the

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<sup>5</sup> See Securities Exchange Act Release No. 90583 (December 7, 2020), 85 FR 80207 (December 12, 2020) (SR-CBOE-2020-112).

<sup>6</sup> See id.

<sup>7</sup> See Securities and Exchange Act Release Nos. 89188 (June 30, 2020), 85 FR 40713 (July 7, 2020) (SR-FINRA-2020-019); 90454 (November 18, 2020), 85 FR 75097 (November 24, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-040); 93002 (September 15, 2021), 86 FR 52508 (September 21, 2021) (File No. SR-FINRA-2021-023); and 94018 (January 20, 2022), 87 FR 4072 (January 26, 2022) (SR-FINRA-2022-001).

<sup>8</sup> See The Centers for Disease Control and Prevention ("CDC"), What You Need to

uptick in transmissions in many locations indicate that COVID-19 remains an active and real public health concern.<sup>9</sup> The Exchange understands that firms have delayed their return to office plans due to the continued pandemic and are considering implementing or have implemented hybrid work arrangements dependent on functions and regulatory requirements.<sup>10</sup> To that end, in order to address ongoing industry-wide concerns regarding having to conduct in-person office inspections while safety concerns related to the pandemic persist and to align with pandemic-related regulatory relief provided by FINRA, which has already extended their substantively identical temporary remote inspection rules,<sup>11</sup> the Exchange proposes to extend Rule 9.2(d)(5) through December 31, 2022. The proposed extension would provide clarity to firms on regulatory requirements and account for the time

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Know about Variants (stating, in part, that “the Delta variant causes more infections and spreads faster than earlier forms of the virus that causes COVID19.”), <https://www.cdc.gov/coronavirus/2019-ncov/variants/variant.html> (updated April 26, 2022). See also CDC, The Possibility of COVID-19 Illness after Vaccination: Breakthrough Infections (stating, in part, that “COVID-19 vaccines are effective at preventing infection, serious illness, and death. Most people who get COVID-19 are unvaccinated. However, since vaccines are not 100% effective at preventing infection, some people who are fully vaccinated will still get COVID-19. . . People who get vaccine breakthrough infections can be contagious.”), <https://www.cdc.gov/coronavirus/2019-ncov/vaccines/effectiveness/why-measure-effectiveness/breakthrough-cases.html> (updated December 17, 2022).

<sup>9</sup> See e.g., Press Briefing by White House COVID-19 Response Team and Public Health Officials (May 18, 2022), which discusses the sustained high number of infections driven by “incredibly contagious subvariants” and the limited funding in being able to provide a new generation of vaccines to every American in the fall/winter of 2022; and see generally CDC, Unpacking Variants (updated April 22, 2022)..

<sup>10</sup> The Exchange notes that a majority of its TPHs are FINRA member firms as well, and that through FINRA’s ongoing monitoring the Exchange has learned that many of its TPHs have delayed plans to require a full return to the office and that most continue to operate in a remote or hybrid environment.

<sup>11</sup> See Release No. 94018 (January 20, 2022), 87 FR 4072 (January 26, 2022) (File No. SR-FINRA-2022-001).

needed for many firms to carefully assess when and how to have their employees safely return to their offices in light of vaccination coverage in the U.S. and transmission levels of the virus, including any emergent variants throughout the country.

By extending Rule 9.2(d)(5) through December 31, 2022, the Exchange does not propose to amend the other conditions of the temporary rule. The proposed amendments to Rule 9.2(d)(5) simply provide that for calendar year 2022, a TPH has the option to conduct those inspections remotely through December 31, 2022. The current conditions of Rule 9.2(d)(5) for firms that elect to conduct remote inspections would remain unchanged: such firms must amend or supplement their written supervisory procedures for remote inspections, use remote inspections as part of an effective supervisory system, and maintain the required documentation. The additional period of time would also enable the Exchange to further monitor the effectiveness of remote inspections and their impacts – positive or negative – on firms’ overall supervisory systems in the evolving workplace. Notwithstanding the proposed temporary rule change, a TPH remains subject to the requirements of Rule 8.16(f) and Rule 9.2(d).

The Exchange continues to believe this temporary remote inspection option is a reasonable alternative to provide to firms to fulfill their Rule 8.16(f) and 9.2(d) obligations during the pandemic and is designed to achieve the investor protection objectives of the inspection requirements under these unique circumstances. Firms should consider whether, under their particular operating conditions, reliance on remote inspections would be reasonable under the circumstances. For example, firms with offices that are open to the public or that are otherwise doing business as usual should consider whether some form of in-person inspections would be feasible and appropriately contribute to a supervisory system

that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules.

The Exchange again notes that FINRA has already put in place the same extension period of their remote relief rule,<sup>12</sup> which is substantively identical to Rule 9.2(d)(5).<sup>13</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>14</sup>

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>16</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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<sup>12</sup> See supra note 11.

<sup>13</sup> See supra notes 5 and 7.

<sup>14</sup> 15 U.S.C. 78f(b).

<sup>15</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> Id.

In particular, the Exchange believes that, in recognition of the ongoing impact of COVID-19 on performing the on-site inspection component of Rules 8.16(f) and 9.2(d), the proposed rule change is intended to provide firms a temporary regulatory option to conduct inspections of offices and locations remotely during calendar year 2022. This temporary remote relief rule and the proposed extension thereof does not relieve firms from meeting the core regulatory obligation to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules that directly serve investor protection. In a time when faced with ongoing challenges resulting from the COVID-19 pandemic, the Exchange believes that the proposed rule change provides sensibly tailored relief that will afford firms the ability to assess when and how to implement their work re-entry plans as measured against the health and safety of their personnel, while continuing to serve and promote the protection of investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed temporary rule changes will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the Act, because the proposed extension of the temporary remote inspection relief rule will apply equally to all TPHs required to conduct office and location inspections in calendar year 2022 through December 31, 2022. The Exchange further does not believe that the proposed extension to the temporary rule will impose any burden on intermarket competition because it relates only to the extension of the remote

manner in which inspections for 2022 may be conducted. Additionally, and as stated above, FINRA has already extended its substantively identical temporary remote relief rule for its members in the same manner.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and Rule 19b-4(f)(6)<sup>18</sup> thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing.

The Exchange stated that despite signs of improvement, the emergence of the COVID-19 variants, dissimilar vaccination rates throughout the United States, and the uptick in transmissions in many locations indicate that COVID-19 remains an active and

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).



real public health concern. The Exchange also stated that extending the relief provided originally in SR-CBOE-2020-112<sup>19</sup> and SR-CBOE-2021-070<sup>20</sup> would continue to provide clarity to firms on regulatory requirements and account for the time needed for many firms to carefully assess when and how to have their employees safely return to their offices.

The proposed rule change would provide firms the option of satisfying their inspection obligations under Rule 8.16(f) and Rule 9.2(d) remotely for calendar year 2022 through December 31, 2022, subject to specified conditions. These rules and the proposed extension thereof do not relieve firms from meeting their core regulatory obligation to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. Further, like SR-CBOE-2020-112 and SR-FINRA-2021-070, the proposed rule change provides only temporary relief during a period in which firms' operations are impacted by COVID-19. As proposed, the changes would be in place through December 31, 2022. Importantly, extending the relief provided in the proposed rule change immediately upon filing and without a 30-day operative delay will allow firms to continue to complete their inspections in an orderly manner. For these reasons, waiver of the 30-day operative delay for the proposed rule change is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.<sup>21</sup>

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<sup>19</sup> See supra note 5.

<sup>20</sup> See Securities Exchange Act Release No. 93721 (December 6, 2021), 86 FR 70560 (December 10, 2021) (SR-CBOE-2020-070).

<sup>21</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2022-028 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2022-028. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website

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capital formation. See 15 U.S.C. 78c(f).

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-CBOE-2022-028 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2022-13960 Filed: 6/29/2022 8:45 am; Publication Date: 6/30/2022]

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<sup>22</sup> 17 CFR 200.30-3(a)(12).